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C O N F I D E N T I A L SECTION 01 OF 02 PORT AU PRINCE 000686

SIPDIS

STATE FOR WHA/CAR, STATE PASS TO AID FOR LAC/CAR

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TAGS: [PREL](#) [PGOV](#) [EAID](#) [EAGR](#) [ETRD](#) [HA](#)
SUBJECT: HAITI: BANKERS AND ECONOMISTS SPEAK OUT ON FOOD
CRISIS

REF: A. PORT AU PRINCE 00648
[1](#)B. PORT AU PRINCE 00575
[1](#)C. PORT AU PRINCE 00583

Classified By: Ambassador Janet A. Sanderson for
Reasons 1.4 (b) and (d).

[1](#)1. (SBU) Summary: Bankers and economists, including some in the government, question the viability of President Rene Preval's rice subsidy proposal presented in response to recent food riots. Economists and bankers consulted agree an immediate response that targets food needs of the poor is warranted, with some fearing that street rioting may resume if this is not done. However, they emphasize that job creation is more important than food aid, and recommend that the Haitian Government and the international donor community focus on labor-intensive infrastructure projects. Many fault Preval and his administration for failing to spot the economic signs of an impending crisis and lacking the political foresight to address the issue before it exploded in the streets. End Summary.

Slow Government Response

[1](#)2. (C) Ministry of Economy and Finance (MoEF) Director of Economic Studies Alfred Fils Metellus told econoff the economic signs of rising food and commodity prices were clear to economists several months ago, but "nothing was done" by the current administration. The riots were a result of poor political leadership and management. Commenting on Preval's rice subsidy proposal, he agreed that food matters, but said Haiti must exercise caution in applying subsidies that may be perceived as counter to free trade practices, and could contribute to driving down world crop prices, which could disadvantage local farmers.

[1](#)3. (SBU) Haitian Professional Banker's Association President Vladimir Francois said Haiti must keep the local price of rice in line with world prices. If the price of rice is higher overseas, Haitian farmers will produce for export. (Note: Haiti's Director of Customs recently announced a ban on export of rice from Haiti. Although Haiti exports no rice, the ban was probably motivated by the fear that Haitians would cart subsidized rice over the border for sale in the Dominican Republic. End Note) Francois estimated that 80 percent of local rice is produced in the Artibonite region, although the majority of rice that Haiti imports comes from the U.S.

[1](#)4. (SBU) Although reluctant to criticize Preval's rice subsidy plan directly, MoEF Deputy Director of Economic Studies Marie-France Laleau suggested that targeted food programs (to include milk and vitamins) could be directed to those in greatest need, such as needy children and pregnant women. Laleau added that expanding national agricultural production - the other key component in Preval's response to the food crisis - is important, but emphasized the need

to reduce possible negative economic impacts. Laleau emphasized it is imperative that fiscal resources be focused on rural infrastructure development that increases agricultural growth and competitiveness. Increased public spending must be carefully targeted. Local agricultural producers need "more than seeds" and require technical assistance in addition to access to water and transport to markets. Targeted investments in the sector are crucial.

15. (SBU) Metellus and Laleau cautioned that a viable response is needed soon so that "students do not hit the streets." Metellus recommended programs that focus not only on food distribution, but also on job creation, especially for youth who will be out of school in the summer.

Job Creation is Urgent

16. (C) Sogebank Chief Economist Pierre-Marie Boisson does not consider Preval's rice proposal a viable solution to the food emergency. He believes the riots were a "poorly misunderstood crisis" whose causes were "70 percent political" and "30 percent real," (Note: &real8 in the sense of being caused by food price inflation. End note) Controlling the price of agricultural products will never solve the problem, he opined.

17. (SBU) Boisson said the real crisis is lack of government attention to integrated development. It is imperative the Government of Haiti (GoH) quickly mobilize resources to increase production, put people to work, and direct relief to those who cannot cope with rising food costs, especially the

PORT AU PR 00000686 002 OF 002

poorest families with children. Boisson criticized the government for not aggressively channeling public resources into massive infrastructure investment. In 2007, the Ministry of Public Works used only 12 percent of its resources to invest in infrastructure -- not enough to create a meaningful number of jobs.

Advice for Donors: Focus on Infrastructure

18. (U) Boisson offered several recommendations to donors to best assist Haiti in addressing the food crisis:

-- Use donor mechanisms (e.g., non-profit relief agencies) to quickly distribute food and link distribution to school attendance;

-- Push the GoH to expand public works projects and simplify customs procedures;

-- Encourage the GoH to accelerate spending and accept a gradual decline in the exchange rate of the gourde; and

-- Encourage the GoH to spend on drainage, roads, agricultural and irrigation projects. The motto should be: "spend, spend, spend."

19. (C) Boisson said he was disappointed Preval had not been more aggressive in creating jobs and addressing poverty. Boisson recalled that he and other bankers and private sector leaders met with Preval at the beginning of his administration in May 2006 to discuss strategies to stimulate the economy, and reduce poverty and unemployment. The group presented Preval a strategy paper entitled "Feuille de Route" -- "The Way Forward". Boisson said banking and private sector reps were disappointed that Preval never gave the paper serious consideration. Indeed, as AmCham members recently told Ambassador, private sector meetings with Preval had all but ceased until this latest crisis.

SANDERSON